

AXA IM - Real Assets raises €500m for new European core fund

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Category: Fund Watch

AXA Investment Managers - Real Assets has raised an initial €500 mln of equity commitments for its new pan-European open-ended real estate fund, Isabelle Scemama, head of funds group, has told PropertyEU.

With leverage, AXA Core Europe has an initial investment capacity close to €700 mln with the aim to build a highly diversified portfolio of core European real estate assets.

'We have in the pipeline a significant volume of new subscriptions, and we hope to have an investment capacity of €1 bn for this fund by year-end,' Scemama told PropertyEU in an interview. Over the long term AXA IM - Real Assets aims to grow AXA CoRE Europe steadily into a flagship European fund with a target size of €3 bn to €5 bn.

The initial equity was raised from a dozen institutional investors - largely pension funds and insurance companies - from countries including France, Germany, Switzerland, Poland, and the UK.

Scemama said the fund launch followed significant demand on the part of mid-size investors looking to increase their allocation to real estate or diversify their property portfolios.

'There are many institutions looking to up their real estate exposure given the low interest rate environment,' Scemama commented. 'Investors in this fund included mid-sized players with a domestic allocation to real estate but no pan-European allocation. These institutions do not have the infrastructure to go abroad by themselves and are looking for a diversification strategy. The other type of investors in the fund is an institution with no exposure to real estate at all. As such, these players are interested in entering the asset class by investing in core assets.'

In order to be able to build up a diversified portfolio, the initial size of the fund was critical, added Scemama. 'We made the decision that the fund launch was conditional upon reaching a sufficient amount of subscriptions. This would allow for a proper diversification within the portfolio.'

ALLOCATION PLAY

AXA Core Europe will seek to provide institutional investors with long-term stable income through the acquisition of core real estate assets across Europe. 'The objective of this fund is not to exit the investment at a certain point and 'play' the cycle. This is rather an allocation play and for this you need to have an open-ended vehicle,' noted Scemama.

The fund will focus on investments in Europe's largest and most established and transparent markets - UK, Germany and France - while maintaining the ability to invest across the entire continent from Spain to Benelux and the Nordics or Switzerland. AXA Core Europe will target mainstream asset classes, primarily offices and retail, and will also consider selective investments where it can enhance returns by improving occupancy rates and/ or through repositioning works.

The lead fund manager for the fund will be Rainer Suter who is head of continental funds and separate accounts, at AXA IM - Real Assets. He will be supported by three portfolio managers based respectively in London, Paris and Cologne.

Offices in particular will represent a significant part of the portfolio, according to Scemama. 'We are targeting cities such as London, Paris, Milan, Madrid, as well as some of the major cities in Germany. There is no limit on offices and in principle they could represent up to the entirety of the fund's portfolio. For retail, we are targeting the wealthiest cities and regions. The vehicle also envisages the possibility to invest a smaller portion of the portfolio (10-25%) into logistics, residential and hotels.'

In terms of returns, the vehicle is targeting 6-7% on the long term, she added.

AXA Core Europe has made its first investment by taking part in the club of four investors which last month agreed to acquire the France's tallest tower, Tour First in Paris La Défense for €800 mln.

AXA IM - Real Assets manages over €64 bn of assets, 78% of which are in the core and core-plus space.